

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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March 28, 2005

Ms. Martha Hughey, Assistant Vice President of Reimbursement
National Healthcare Corporation
100 Vine Street
Murfreesboro, Tennessee 37130

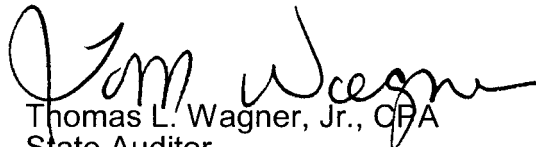
Re: AC# 3-GNV-J1 – NHC Healthcare – Greenville, LLC

Dear Ms. Hughey:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 2000 through September 30, 2001. That report was used to set the rate covering the contract period beginning January 1, 2003.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

NHC HEALTHCARE – GREENVILLE, LLC

GREENVILLE, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING JANUARY 1, 2003
AC# 3-GNV-J1**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

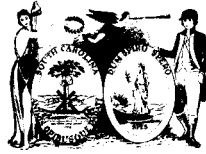
STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 29, 2004

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with NHC Healthcare – Greenville, LLC, for the contract period beginning January 1, 2003, and for the twelve month cost report period ended September 30, 2001, as set forth in the accompanying schedules. The management of NHC Healthcare – Greenville, LLC is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by NHC Healthcare – Greenville, LLC, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and NHC Healthcare – Greenville, LLC dated as of October 1, 2001 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
October 29, 2004

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

NHC HEALTHCARE - GREENVILLE, LLC
Computation of Rate Change
For the Contract Period
Beginning January 1, 2003
AC# 3-GNV-J1

01/01/03-
09/30/03

Interim Reimbursement Rate (1)	\$126.73
Adjusted Reimbursement Rate	<u>125.98</u>
Decrease in Reimbursement Rate	\$ <u><u>.75</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 8, 2003

NHC HEALTHCARE - GREENVILLE, LLC
Computation of Adjusted Reimbursement Rate
For the Contract Period January 1, 2003 Through September 30, 2003
AC# 3-GNV-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 64.11	\$62.89	
Dietary		11.98	11.21	
Laundry/Housekeeping/Maintenance		<u>8.19</u>	<u>9.67</u>	
Subtotal	\$ <u>-</u>	84.28	83.77	\$ 83.77
Administration & Medical Records	\$ <u>-</u>	<u>14.02</u>	<u>12.77</u>	<u>12.77</u>
Subtotal		98.30	<u>\$96.54</u>	96.54
<u>Costs Not Subject to Standards:</u>				
Utilities		2.70		2.70
Special Services		-		-
Medical Supplies & Oxygen		5.46		5.46
Taxes and Insurance		8.16		8.16
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$114.62</u>		112.86
Inflation Factor (3.70%)				4.18
Cost of Capital				8.94
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$125.98</u>

NHC HEALTHCARE - GREENVILLE, LLC
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2001
AC# 3-GNV-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$3,953,359	\$ 2,860 (3)	\$ 2,725 (4)	\$3,953,494
Dietary	738,554	170 (3)	-	738,724
Laundry	105,551	-	-	105,551
Housekeeping	199,020	-	202 (3)	198,818
Maintenance	200,592		94 (3)	200,498
Administration & Medical Records	1,141,151	-	276,500 (3)	864,651
Utilities	166,358	-	-	166,358
Special Services	72	-	-	72
Medical Supplies & Oxygen	354,461	-	17,798 (4)	336,663
Taxes and Insurance	494,651	8,352 (3)	-	503,003
Legal Fees	-	-	-	-
Cost of Capital	588,332	5,644 (1)	12,283 (2) 1,888 (3) 28,365 (5)	551,440
Subtotal	7,942,101	17,026	339,855	7,619,272

NHC HEALTHCARE - GREENVILLE, LLC
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2001
AC# 3-GNV-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	-	-	-	-
Nonallowable	646,989	12,283 (2) 267,302 (3) 20,523 (4) <u>28,365 (5)</u>	5,644 (1)	969,818
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$8,589,090</u>	<u>\$345,499</u>	<u>\$345,499</u>	<u>\$8,589,090</u>
Total Patient Days	<u>61,670</u>	<u>-</u>	<u>-</u>	<u>61,670</u>
Total Beds	<u>176</u>			

NHC HEALTHCARE - GREENVILLE, LLC
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-GNV-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Cost of Capital Nonallowable	5,644	5,644
	To adjust deemed asset value limitation State Plan, Attachment 4.19D		
2	Accumulated Depreciation	96,923	
	Other Equity	337,188	
	Nonallowable	12,283	
	Fixed Assets		434,111
	Cost of Capital		12,283
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nonallowable	267,302	
	Dietary	170	
	Taxes, Insurance, Licenses	8,352	
	Restorative	2,860	
	Administration		276,500
	Cost of Capital		1,888
	Housekeeping		202
	Maintenance		94
	To adjust home office cost HIM-15-1, Section 2150		
4	Nonallowable	20,523	
	Medical Supplies		17,798
	Nursing Supplies		2,725
	To adjust special ancillary services State Plan, Attachment 4.19D		

NHC HEALTHCARE - GREENVILLE, LLC
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-GNV-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable Cost of Capital	28,365	28,365
	To adjust capital State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$779,610</u>	<u>\$779,610</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

NHC HEALTHCARE - GREENVILLE, LLC
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2001
 AC# 3-GNV-J1

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.4607</u>	<u>2.4607</u>	
Deemed Asset Value (Per Bed)	38,431	38,431	
Number of Beds	<u>132</u>	<u>44</u>	
Deemed Asset Value	5,072,892	1,690,964	
Improvements Since 1981	412,742	108,959	
Accumulated Depreciation at 9/30/00	<u>(1,835,982)</u>	<u>(572,141)</u>	
Deemed Depreciated Value	3,649,652	1,227,782	
Market Rate of Return	<u>.0577</u>	<u>.0577</u>	
Total Annual Return	210,585	70,843	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	210,585	70,843	
Depreciation Expense	214,663	74,325	
Amortization Expense	-	-	
Capital Related Income Offsets	(14,232)	(4,744)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	411,016	140,424	\$551,440
Total Patient Days (Minimum 96% Occupancy)	<u>46,252</u>	<u>15,418</u>	<u>61,670</u>
Cost of Capital Per Diem	\$ <u>8.89</u>	\$ <u>9.11</u>	\$ <u>8.94</u>

NHC HEALTHCARE - GREENVILLE, LLC
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2001
 AC# 3-GNV-J1

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$N/A	\$N/A
Adjustment for Maximum Increase	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$8.89</u>	<u>\$9.11</u>
Reimbursable Cost of Capital Per Diem	\$8.94	
Cost of Capital Per Diem	<u>8.94</u>	
Cost of Capital Per Diem Limitation	\$ <u>-</u>	

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